



DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9909]

RIN 1545-BP35

Limitation on Deduction for Dividends Received from Certain Foreign
Corporations and Amounts Eligible for Section 954 Look-Through Exception;
Correcting Amendment

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendments.

SUMMARY: This document contains corrections to the final regulations
(Treasury Decision 9909) that were published in the **Federal Register** on
Thursday, August 27, 2020. Treasury Decision 9909 contained final regulations
under sections 245A and 954 of the Internal Revenue Code (the “Code”) that
limit the deduction for certain dividends received by United States persons from
foreign corporations under section 245A and the exception to subpart F income
under section 954(c)(6) for certain dividends received by controlled foreign
corporations.

DATES: These corrections are effective on **[INSERT DATE OF PUBLICATION
IN THE FEDERAL REGISTER]**.

FOR FURTHER INFORMATION CONTACT: Arielle M. Borsos or Logan M.
Kincheloe at (202) 317–6937 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

The final regulations (TD 9909) that are the subject of this correction are

issued under sections 245A, 954(c)(6), and 6038 of the Internal Revenue Code.

Need for Correction

As published on August 27, 2020 (85 FR 53068), the final regulations (TD 9909; FR Doc. 2020-18543) contain errors that need to be corrected.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Correction of Publication

Accordingly, 26 CFR part 1 is corrected by making the following correcting amendments:

PART 1--INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. Section 1.245A–5 is amended by:

- a. Adding a sentence after the first sentence of paragraph (e)(3)(i)(A); and
- b. Revising paragraphs (i)(8) and (9) and the first sentence of paragraph (j)(10)(ii).

The addition and revisions read as follows:

§1.245A-5 Limitation of section 245A deduction and section 954(c)(6) exception.

* * * * *

(e) * * *

(3) * * *

(i) * * *

(A) * * * Because the determination as to whether there would be an extraordinary reduction amount or tiered extraordinary reduction amount greater than zero is made without regard to this paragraph (e)(3)(i), this determination is made without taking into account any elections that may be available, or other events that may occur, solely by reason of an election described in this paragraph (e)(3)(i), such as the application of section 954(b)(4) to a short taxable year created as a result of the election. * * *

* * * * *

(i) * * *

(8) *Extraordinary disposition E&P*. The term *extraordinary disposition E&P* has the meaning set forth in paragraph (c)(3)(i)(C) of this section.

(9) *Extraordinary disposition ownership percentage*. The term *extraordinary disposition ownership percentage* has the meaning set forth in paragraph (c)(3)(i)(B) of this section.

* * * * *

(j) * * *

(10) * * *

(ii) * * * Because the loan from CFC1 to CFC2 and the subsequent distribution of cash were carried out with a principal purpose of avoiding the purposes of this section, appropriate adjustments are required to be made under the anti-abuse rule in paragraph (h) of this section. * * *

Crystal Pemberton,
Senior Federal Register Liaison,
Publications and Regulations Branch,
Legal Processing Division,
Associate Chief Counsel,
(Procedure and Administration).

